



*United States Attorney  
Southern District of New York*

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**MANHATTAN-BASED INVESTMENT ADVISER PLEADS GUILTY TO  
U.S. CHARGES IN MASSIVE FRAUD ON CLIENTS**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced that TODD M. EBERHARD, a Manhattan-based investment adviser and securities broker, pled guilty yesterday in Manhattan federal court to conspiracy, investment advisory fraud and obstruction of justice charges. The charges all arose from EBERHARD's participation in a scheme to defraud his clients out of millions of dollars by churning and looting their accounts, and his attempt to obstruct a Securities and Exchange Commission ("SEC") investigation into his misconduct.

According to the Indictment previously filed against EBERHARD, as well as statements made by EBERHARD in connection with his guilty pleas, EBERHARD conducted business through two Manhattan-based entities that he controlled: Park South Securities, LLC ("Park South"), an investment advisory firm registered with the SEC; and Eberhard Investment Associates ("EIA"), an unregistered financial services firm.

From about 1993 through his arrest in 2003, EBERHARD

engaged in a scheme to defraud his clients of millions of dollars by engaging in excessive trading, or "churning" in their accounts to garner commissions for himself to the detriment of his clients, and by directly stealing funds from his clients. In order to conceal his fraudulent conduct from his clients, EBERHARD made false statements and misrepresentations about the balance of and activity in their accounts, including by issuing false account statements.

EBERHARD kept his fraudulent scheme operating by making payments to customers who discovered his fraudulent conduct and requiring them not to report the fact of the payments to others, including regulatory authorities such as NASD. As alleged in the Indictment, EBERHARD typically made these settlement payments with funds stolen from other clients. In addition to using the misappropriated funds to pay other customers, EBERHARD also used the funds for a host of other improper purposes, such as paying his credit card bills, purchasing or leasing expensive cars, paying a former employee who was extorting EBERHARD by threatening to disclose his extramarital relationships, and purchasing real estate for himself, including an island in Nova Scotia, Canada.

According to the Indictment and statements made by EBERHARD, after EBERHARD's arrest in February 2003 and the initiation of a regulatory action against him by the SEC in the

United States District Court for the Southern District of New York, EBERHARD took steps to obstruct the SEC proceeding. Specifically, EBERHARD presented documents to the SEC falsely reflecting the transfer of real property from EBERHARD to others in order to prevent that property from being subject to an asset freeze imposed by the Court and to enable EBERHARD to maintain control over the property and the income that it produced.

On the conspiracy count to which he pled guilty, EBERHARD faces a maximum penalty of 5 years in prison and a fine of \$250,000 or twice the gross gain or loss from the offense. On each of the seven investment adviser fraud counts to which he pled guilty, EBERHARD faces a maximum penalty of 5 years in prison and a fine of \$250,000 or twice the gross gain or gross loss from the offense. On each of the wire and mail fraud counts to which he pled guilty, EBERHARD faces a maximum penalty of 20 years in prison and a \$1 million fine or twice the gross gain or gross loss from the offense, on each count. On the obstruction of justice count to which he pled guilty, EBERHARD faces a maximum penalty of 20 years in prison and a fine of \$250,000 or twice the gross gain or gross loss from the offense. United States District Judge ROBERT W. SWEET, who presided over EBERHARD's case, will set a sentencing date.

EBERHARD, 40, lives in Manhattan.

Mr. KELLEY praised the efforts of the United States Postal Inspection Service in the investigation of this case. Mr. KELLEY also thanked the SEC and NASD for their assistance in this matter.

Assistant United States Attorneys STEVEN R. GLASER and JULIAN D. SCHREIBMAN are in charge of the prosecution.

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